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INVESTMENT WATCH

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Man Convicted of Investment Fraud Gets Eight Years in Prison

South Bend Man Illegally Spent \$4.5 Million from More Than 60 Indiana Investors

South Bend residents believed they were getting a good deal when they mortgaged their homes and invested their life savings in M & D Whirlwind, a company operated by local resident Mike Boehm.

Many assumed purchasing promissory notes in M & D Whirlwind, which loaned those dollars to other businesses at a high interest rate, was a good investment because of Boehm's promises of interest of up to 30 percent. Some had heard positive accounts from early investors who had received some initial financial returns.

More than 61 investors who purchased \$4.5 million in promissory notes in M & D

Whirlwind found out later, after many lost their life savings and individual retirement accounts, that Boehm had defrauded them. They also discovered that Boehm had a prior conviction for loan irregularities.

"He was very personable, and everyone seemed to like him. He knew how to charm people," said Rick Neff, who heads the Prosecution Assistance Unit in the Securities Division of the Office of the Indiana Secretary of State. "A few people who started out with him had known him before. Some of them even knew he had problems in his career."

Story continued on page 2.



How Hoosiers Can Protect Their Investments

Online Resources Can Verify Credentials of Investment Professionals, Brokers

Americans lose an estimated \$40 billion each year to fraud.

To combat this problem, the Indiana Secretary of State's Securities Division is responsible for making sure that only registered securities activities occur in the state. Securities—investments with a potential for risk but the expectation of return—can include stocks, bonds, mutual funds and other investments.

The Secretary of State's office also oversees Indiana's loan brokers and serves as the state agency responsible for investor protection and education.

To help Hoosiers protect their assets, the Secretary of State's office conducts registration and the licensing of:

- Collection agencies
- Securities

- Loan brokers
- Exempt filings
- Franchises
- Broker dealers
- Investment advisors

The office can also tell you if enforcement actions have been taken against loan brokers, investment advisors and broker dealers. Anyone with Internet access can look up this information on their own, simply by going to www.IndianalInvestmentWatch.com and clicking on 'Search Database' or by calling 1.800.223.8791.

Investor education helps consumers understand the most common types of schemes, scams and fraud. When Hoosiers are alerted about the common types of investor fraud, they can learn

how to avoid suspicious and risky investments and better protect their finances. To keep abreast of the latest developments in this area, sign up for Indiana Investment Watch's free e-newsletter at www.IndianalInvestmentWatch.com.

If you have been the victim of investment fraud of any kind, you can report it to the Office of the Secretary of State by calling 1.800.223.8791 or by going to www.IndianalInvestmentWatch.com and choosing 'File A Complaint.' The Secretary of State's office will try to recover your lost assets, if possible, and determine if an illegal action took place. Your report will also help to protect other consumers who could be vulnerable to similar schemes.



Investors Can Protect Themselves by Using Web Site to Check on Securities

by Todd Rokita
Indiana Secretary of State



The Office of the
Indiana Secretary of State
www.sos.IN.gov

Americans have become increasingly sophisticated in the way we shop for goods and services ranging from cars to doctors.

When buying a new car, most of us research our top picks on the Web and peruse magazines evaluating various models' performance and prices. Consumers can even research used cars to determine whether the vehicle has been in an accident. This diligence is commendable.

But do we take that same approach when it comes to our investments?

A recent survey commissioned by my office suggests that Hoosier investors don't take as much care in deciding how to invest their hard-earned dollars. Nearly two-thirds of Indiana adults who own financial investments have little or no knowledge about the security of their investments and potential fraud schemes.

Nationally, \$40 billion is lost to fraud each year. We want to give Hoosiers the tools they need in order to invest their hard-earned dollars wisely.

My office recently created Indiana Investment Watch, a

program to help prevent fraud and encourage Hoosiers to save and invest. Indiana Investment Watch is also designed to raise Hoosiers' awareness about investor-related services and educational opportunities, such as Web tools and workshops.

With the launch of www.IndianaInvestmentWatch.com, we have made it easy to find out if the security you are considering is registered with the state. You can also find out whether your investment professionals are in good standing with the state and check their disciplinary history. And you can check on whether your mortgage broker is registered with the state.

If you have been a victim of investment fraud, the Secretary of State's office can help try to recover your assets and determine if any illegal action took place. Many of the cases we investigate could have been prevented if investors had first checked on their prospective investments and their investment professionals.

We encourage Hoosiers to evaluate their finances and seek the best information-based course of action. Remember, knowledge is the smartest investment.

Professionals and Retired People Invested in Boehm's Company Through Purchase of Promissory Notes

Continued from cover.

Neff first heard of Boehm several years ago when he received a call from a doctor who had invested a substantial amount of money with Boehm and wanted his money back. After conducting some research, the Secretary of State's office discovered that M & D Whirlwind had filed bankruptcy. Those who Boehm had listed as creditors in his bankruptcy filing were actually investors in M & D Whirlwind.

Boehm was about 60 years old at the time he began selling promissory notes in Whirlwind and preyed mostly on elderly women and other seniors. Many had encouraged their relatives to invest in Boehm's company. Some of Boehm's investors now depend solely on Social Security checks and pensions to support themselves.

The Prosecution Assistance Unit worked with local prosecutors in South Bend to put Boehm behind bars for eight years. Unfortunately, all the money that investors sent Boehm had apparently been spent to support Boehm and had been used to make bad loans to businesses with little credit.

Cases like Boehm's are common, Neff said.

"We see a lot of cases with individuals starting their own businesses with dreams of making it big; so, they illegally issue stock in their company or issue promissory notes, and they end up using most of the investors' money for their own personal expenses," Neff said.

Many investors assume a company is legitimate if it is incorporated. Obtaining incorporation status only requires paying a fee and filling out a form.

"Those filing for incorporation don't have to provide any information about the intent of their business or file their business plan," Neff said. "People tend to confuse this with registration of securities."

In Boehm's case, potential investors had several items they could have checked with the Secretary of State's office that would have told them that Boehm and his company were making illegal investment offers to them. First, M & D Whirlwind was not registered with the Secretary of State's office to sell securities. And, Boehm

himself was not registered with the office to sell promissory notes.

"When potential investors call to check on an investment, they should ask whether the individual is licensed with us to sell promissory notes and whether the company is registered with us to sell securities," Neff said. "This is a good first step to take to ensure you're making an educated investment."

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Visit
www.IndianaInvestmentWatch.com
to get your
FREE
Investor Basic
Training DVD.



Indiana Investment Watch Web Site Helps Consumers Look for Mortgage Red Flags

Web Site Can Check on Loan Broker Licenses, Offers Educational Material

The Office of the Secretary of State urges Indiana homebuyers and refinanciers to go to www.IndianalInvestmentWatch.com before signing off on a mortgage loan.

"While many elements contribute to Indiana's top state foreclosure ranking, checking on your loan broker's credentials is just one of several steps that consumers should take to ensure they are protected in the home buying process," Rokita said.

Visitors to the Web site can search the Secretary of State's office database to ensure their broker is registered with the state. The office is responsible for renewing and licensing mortgage loan brokers.

The Indiana Investment Watch Web site was established in March to help Hoosiers check on the backgrounds of investment advisors and loan brokers. The site also provides educational material to assist consumers in their money-related decisions.

"Loan brokerage is a lucrative business that has historically not been heavily scrutinized," said Laura Emrick, Enforcement Investigator for the Securities Division. "We're working to change that because

mistakes made by brokers—either intentionally or unintentionally—can result in foreclosure."

The office has recently focused much attention on tightening rules on loan broker and loan originator education to increase the level of education among people working in this field, helping them to avoid mistakes, Emrick said.

IndianalInvestmentWatch.com provides a link for victims to file complaints with the Secretary of State's office. From 2003 – 2005, the Enforcement and Prosecution Assistance Unit investigated 623 cases of investment-related fraud.

In 2005, enforcement investigators took part in a sweep of licensed loan brokers in various parts of the state. Thirty-two examinations were conducted, resulting in the discovery of 37 separate violations of the Loan Broker Act. As a result of these violations, the Division entered into seven consent agreements totaling \$3,300 in civil penalties, eight deficiency letters, two enforcement cases and the termination of three loan broker licenses.

The Office of the Secretary of State advises homebuyers and refinanciers to review the Top 10 Red Flag List for Mortgage Loans to ensure that they have thoroughly analyzed their mortgage process:

1. Shifting the closing date
2. Offering a "free" refinance
3. Total reliance on the loan broker
4. "Pre-approved" and "pre-qualified"
5. Offering for a "free" real estate appraisal
6. Falsifying income
7. Loan flipping
8. Over-appraised residential real estate
9. Switching at closing undisclosed pre-payment penalties, balloon payments and rate and terms
10. Post-closing squeeze for more fees

For more details on the Top 10 Red Flag List for Mortgage Loans, go to www.IndianalInvestmentWatch.com.

Office Makes Strides in Assisting Investors Through Enforcement, Cooperation and Changing Laws

The Secretary of State's office has been active helping to put con artists behind bars, changing laws and administrative procedures to better protect Hoosiers' investments, and working with local prosecutors to determine the best practices to turn charges into convictions.

The office has helped local prosecutors statewide obtain 15 fraud convictions with cumulative sentences of 153 years in the past three and a half years.

"We credit the creation of the Prosecutor Assistance Unit in working with local prosecutors to put more perpetrators of investment fraud in jail," said Secretary of State Todd Rokita.

In the past several years, the office also has:

- Doubled its enforcement staff
- Held roundtables with prosecutors statewide
- Allowed many mandatory business transactions to be transmitted electronically, rather than submitting paper copies
- Tightened rules on loan brokers and their employees to increase the level of education among those working in the field
- Helped change law to allow office to investigate and take action against exempt loan brokers for fraudulent or deceptive practices

Criminal Cases 2002-2006

Cases Referred	29
Cases with Charges Filed	22
Number of Charges Filed	544
Convictions/Dismissals	15/1
Total Number of Years Sentenced	153 years, 3 months

* As of May 31, 2006

Test Your Investment Knowledge

This quiz, based on tests prepared for Securities Investor Protection Corporation and Investor Protection Trust, and the North American Securities Administrators Association, can help you assess your readiness to make smart investments.

1. For the last 25 years, which one of the following investments do you think would have offered you the best return on your money?

- A. Stocks
- B. CDs
- C. Bonds
- D. Savings account
- E. Don't know

2. Diversification is the process by which an investor:

- A. Lowers the potential overall risk
- B. Increases chances of hitting the jackpot
- C. Pushes up commission payments by owning too many stocks or mutual funds
- D. Don't know

3. A no-load mutual fund involves no commission or sales charges of any kind. Is this statement true or false?

- A. True
- B. False
- C. Don't know

4. When interest rates go up, what usually happens to the price of bonds? Would you say:

- A. Bond prices go up
- B. Bond prices go down
- C. Bond prices stay the same
- D. Don't know

5. Which of the following statements best describes full-service brokers and most financial planners or investment advisors? Most brokers and financial planners:

- A. Are salespeople who are paid in direct relation to what they sell
- B. Are paid in direct relation to the quality of their advice
- C. Only make money if client does
- D. Don't know

6. What does the term prospectus mean? Is it:

- A. An analysis of a company's finances, products and management made available at stock issue
- B. Quarterly profit and loss statement sent to all shareholders
- C. Don't know

7. Who insures you against investment losses?

- A. No one; this is the risk you take when you invest
- B. My securities regulator
- C. The company selling the investment
- D. The Securities Investor Protection Corporation (SIPC) in the United States

8. Which of the following phrases should raise your concern about an investment?

- A. High-rate of return
- B. Risk-free
- C. Your investment is guaranteed against loss
- D. You must invest now
- E. All of the above

9. Securities laws protect investors by requiring companies to:

- A. Show profits before they can sell stock
- B. Provide investors with specific information about the company
- C. Pay dividends
- D. Repay investors who have lost money

10. In which situation are you taking the least amount of risk?

- A. Buying a Certificate of Deposit (CD) in the United States, or a Guaranteed Investment Certificate (GIC) from a bank in Canada
- B. Investing with someone you know through your church or community association
- C. Investing offshore
- D. Investing with someone who contacted you by phone

11. A fellow book club member tells you about an investment opportunity that has earned returns of 20 percent during the past year. Your investments have been performing poorly and you're interested in earning higher returns. This person is your friend and you trust them. What should you do?

- A. Ask your friend for more information about the investment so that you can understand the risks before you make a decision
- B. Invest only a small amount to see how things go before making a larger investment
- C. Call your securities regulator to see if the investment has been registered or is properly exempted for sale
- D. A and C

12. Which of the following should you rely upon when making an investment decision?

- A. Testimonials of other investors
- B. Advertisements and news stories in the media or on the Internet
- C. Technical data that you don't really understand
- D. Information filed with your securities regulator

13. Ways to protect yourself from investment fraud include:

- A. Read all disclosure documents about an investment
- B. Seek advice from an independent and objective source
- C. Be skeptical and ask questions
- D. Never write the check for an investment in the name of a salesperson
- E. All of the above

14. When dealing with securities salesperson who is considered reputable, you should do all the following except:

- A. Request copies of opening account documentation to verify that your investment goals and objectives are stated correctly
- B. Open and review all correspondence and account statements when you receive them
- C. Verify your written account statements with information you can obtain online
- D. Allow the salesperson to manage your assets as they see fit because they are the expert
- E. Evaluate your salesperson's recommendations by doing your own independent research

15. Which of the following are frequently used to defraud the public?

- A. Short-term promissory notes
- B. Prime bank investments
- C. Offshore investments to avoid taxes
- D. Nigerian Advance fee letters
- E. All of the above

Answer Key:

- | | | | | |
|--------|--------|--------|---------|---------|
| 3. (A) | 6. (A) | 9. (B) | 12. (D) | 15. (E) |
| 2. (A) | 5. (A) | 8. (E) | 11. (D) | 14. (D) |
| 1. (A) | 4. (B) | 7. (A) | 10. (A) | 13. (E) |

If you missed one question, be sure to visit www.IndianInvestmentWatch.com to learn more about investments. If you missed more than one question, sign up at the Web site above for the next Protect Your Pockets workshop in your area and to receive our e-newsletter.

Secretary of State Supports Investor Ed Initiative

A statewide survey shows that nearly two-thirds of Indiana adults who own financial investments have little or no knowledge about potential fraud schemes or the security of such investments, according to a major analysis conducted by Indiana Secretary of State Todd Rokita.

More than 1,000 Hoosier families took part in the statewide survey, which was paid for by money received by the state from a multibillion dollar, national legal settlement with unscrupulous brokers, investment houses and stock market investment companies.

"The main goal is to equip Hoosier investors with information they need to avoid losing their hard-earned savings and becoming victims of con artists," said Rokita. "We also want investors to have important background information to assist them in making wise decisions with their hard-earned money."

The program, Indiana Investment Watch, is a broad-based campaign that expects to reach the millions of residents who have investments or may soon be looking for investment opportunities.

Are Hoosiers preparing for retirement?

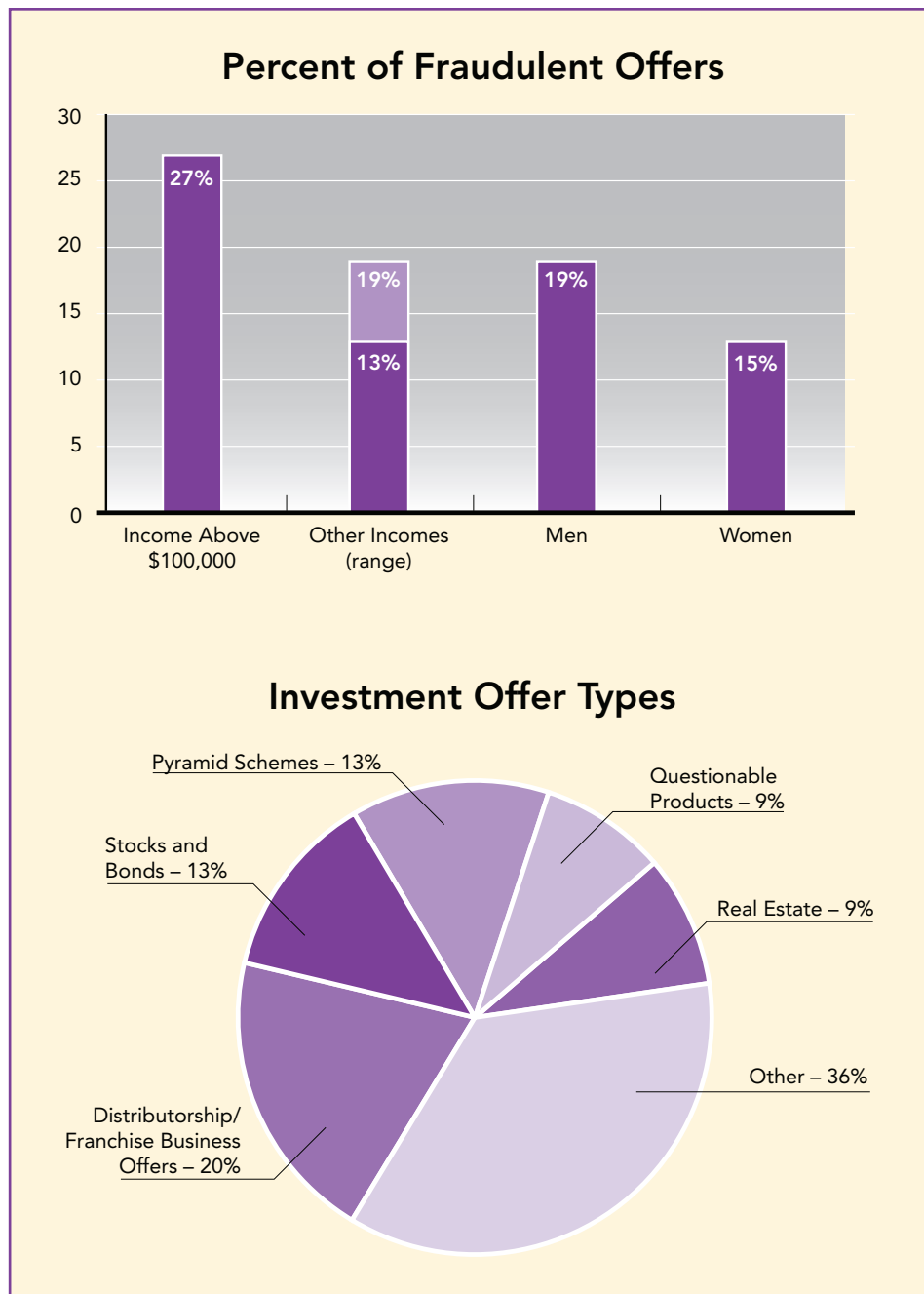
A large portion of Hoosiers—28 percent—said they didn't own any type of investment, raising the question of whether Hoosiers are adequately preparing for retirement.

As expected, identity theft was a top concern of Hoosiers, but other forms of fraud, such as consumer fraud and questionable investment opportunities, were also identified by participants as troubling issues.

"Increasing Internet use and the thousands of e-mail offers reaching consumers each day mean an increased chance of fraudulent activity," Rokita said. A total of 86 percent of those asked statewide stated that investment offers received by telephone, fax or e-mail run a high risk of being fraudulent.

Which state office takes complaints?

One of the more striking findings was an apparent knowledge gap on where Hoosiers should turn to get reliable investment information and check on possible scams. A large majority of Hoosiers felt it was the responsibility of state government to provide guidance and information, but they didn't know which office should or



would provide such detail.

A total of 24 percent of respondents said they relied on family members or friends to offer investment recommendations, while 36 percent said they spoke with investment professionals for financial advice. Known as "affinity fraud," many people get into questionable investments on the advice of people they know and trust.

"It is clear from our research that all segments of our population are subject to investment fraud," Rokita said. "Many people believe it is just senior citizens and the poor who are preyed upon by fraudulent operators. But our belief is that the people who are actively making financial transactions or seeking new investments are just as likely to become victims."

Visit www.IndianaInvestmentWatch.com to sign up for the Indiana Investment Watch e-newsletter

Investor Education Customizes Investment Workshops for Students and Community Groups

by Kellie Duke, Director of Investor Education



How can a person best protect their hard-earned savings from con artists and unscrupulous brokers? The most common sense answer: investor education, a proactive approach to law

enforcement. It helps consumers understand the most common types of schemes, scams and fraud so they can learn how to avoid suspicious and risky investments and better protect their finances.

The Office of the Indiana Secretary of State has partnered with many organizations to bring age-specific programs to various schools and groups. This spring, we teamed up with AARP and trained 19 seniors from all regions of the state to be official "fraud fighters" in their own Indiana communities. We also launched "Living on Your Own: A Crash Course in Cash," a

program aimed at teaching college seniors about money management in the real world. Participants included 130 students from DePauw University who learned the skills needed to survive in the real world and manage their money. Another one of our major partners is the Indiana Council for Economic Education, with whom we sponsor the Stock Market Game in elementary, middle and high schools across Indiana each year. In the coming months, we're presenting a financial message at the youth summit during the Indiana Black Expo Summer Celebration in Indianapolis, as well as participating at many events during the Indiana State Fair.

The Indiana Investment Watch program offers intense investor basic training through comprehensive Protect Your Pockets workshops in various areas of the state. In March, we trained more than 125 individuals, both young and old, in Kokomo on how to be savvy investors. But you needn't wait for a workshop to come to your community to learn valuable

information about avoiding fraud. Our staff is available to lead free presentations anywhere in the state to groups as small as six or as large as 300. We often speak at personal finance meetings, retirement homes and attend community expos, and we even offer teacher training. In the past five months, our direct community outreach has personally impacted more than 1,000 Hoosiers. As you can see, our outreach continues to expand, and the topics available for a presentation are nearly unlimited. We are always open to forging new partnerships for local or statewide programs.

We offer our services at no charge to all Indiana residents. We'd love to come to your community to speak about money management, investing and avoiding fraud. Fill out our speaker request form online at IndianalInvestmentWatch.com, and we'll tailor a presentation to meet your group's specific needs so that each participant receives the most up-to-date information about protecting their savings.

Profile of a Con Artist

Have I got a deal for you! I can double your money in just 90 days, guaranteed.

What? You don't trust me? You think this must be some type of scam, right? Well, you are right. Put your money back in the bank because you are not getting rich overnight.

In 1920, a man named Charles W. Ponzi invented a phony investment plan that promised investors enormous profits. He lived up to this promise initially with the first few investors who got others to sign on. But in just a few months, the shady con artist was indicted on multiple fraud counts. The simplicity and grand scale of his scheme became linked to a type of fraud, now commonly referred to as a "Ponzi scheme." Still, before Charles Ponzi's investment scheme collapsed, an estimated 40,000 people had entrusted an estimated fifteen million dollars (about \$140 million in U.S. funds today) in Ponzi's scheme.

Ponzi schemes are still widely used today. Unfortunately, being able to spot a con artist is not any easier than it was back in 1920. Con artists come from very diverse backgrounds, and no two have the same

sex, ethnicity, education or economic situation. What sets a con artist apart is the natural ability to manipulate people, often without any guilt or remorse. They are self-educated, know how to be sociable and charm others, and can make many people trust them after only a few minutes of conversation.

It is important to know that con artists choose their victims carefully. Con artists will stalk anyone whose weakness can be used as an advantage, which is why they often prey on the elderly, who tend to be more vulnerable and easily persuaded. To see the phrases a con artist might use to lure you in, read the Red Flags of Fraud in the side box.

Though it can be easy to get caught up with a great investment "tip" and feel like the opportunity is your only chance for wealth, it is essential that you investigate before you invest. Investing is a life-long commitment, not a get-rich quick fix. Do not let anyone pressure you into a decision you are not ready to make and any security you have not checked on with the Indiana Secretary of State's Office. Remember - if it sounds too good to be true, it probably is.

RED FLAGS OF FRAUD:

- This offer is only good today/this is a limited-time opportunity.
- Your credit card and checking account number are required.
- This is only available to a select group.
- I get nothing out of this deal.
- Do not tell anyone—not even family.
- I will come to you; you don't have to come to me.
- Foreign banks pay great interest rates and have no taxes associated with them.
- This is "insider" information.

OTHER SIGNS OF FRAUD— BEWARE OF THE FOLLOWING:

- High pressure sales tactics
- Offers good for today only
- Very high profits with little or no risk
- Inside or secret information
- Unusual arrangements for collecting funds from investor
- Delayed delivery of products or profits

For more information, go to
www.IndianalInvestmentWatch.com